

**USAID/India**

**Annual Report**

**FY 2004**

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## **Please Note:**

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Related document information can be obtained from:  
USAID Development Experience Clearinghouse  
8403 Colesville Road, Suite 210  
Silver Spring, MD 20910  
Telephone: (301) 562-0641  
Fax: (301) 588-7787  
Email: [docorder@dec.cdie.org](mailto:docorder@dec.cdie.org)  
Internet: <http://www.dec.org>

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## India

### Performance:

#### Background

India is home to 1.1 billion people, roughly one-sixth of the world's population, and has the world's 11th largest economy. Some 83% of the people are Hindu, but India also has the world's second largest Muslim population (over 120 million). It is a huge country in which poverty remains pervasive. If current population growth rates are not reduced, India will double its population size by 2070. Development progress has been steady but uneven among sectors and states. While there have been improvements in poverty and education indicators, maternal and under-five mortality have not improved. The new threat of HIV/AIDS is spreading quickly. Per the UNDP's 2003 Human Development Report, India has been ranked at 127 out of 175 countries, on the human development index. The fiscal deficits in virtually all state governments inhibit expenditures in the social sectors. Further, reform of power distribution is essential for both fiscal sustainability and faster economic growth, by providing more efficient supply and quality of power services to industry, farmers, and rural areas.

India has a federal system of government, with 28 states and seven union territories. The current government is a coalition of 24 political parties, led by the Bharatiya Janata Party. National elections are scheduled for October 2004.

US relations with India have undergone a dramatic transformation in the last three years. Both countries have intensified their collaboration on a wide range of bilateral issues, including diplomacy, defense, intelligence-sharing, law enforcement and disaster management. USAID Mission is deepening its engagement in such fields as the environment, energy, health, education and scientific and medical research. Underlying this transformation are our shared strategic interests and common democratic values. In the "The National Security Strategy for the United States of America," Published in September 2002, the document describes India as one of the "great democratic powers of the 21st century." The document states that India and the US are the world's two largest democracies committed to political freedom and to common national interests in creating a stable Asia, fighting terrorism, and enhancing the free flow of commerce.

Nonetheless, India's economic and commercial relations with the US continue to under-perform due in large part to slow and inconsistent progress on India's economic reform.

USAID has positioned itself under its new strategic plan covering the years 2003-2007 to address the above concerns. Its beneficiaries are the institutions that will establish improved systems to administer the programs. The ultimate beneficiaries are the people of India and the poor in particular. USAID programs are designed to involve the critical players in the Indian development scene. Our programs work with central government, state governments, municipalities, urban institutions, capital markets and insurance regulators, non-governmental organizations and parastatals to bring about effective changes and showcase good development models. Additionally, we foster public-private alliances in the various strategic areas which we have chosen to work in. Our activities have encouraged leveraging of efforts and funds by working with the Department of State, other USG agencies and other key donors such as World Bank, UNDP, UNICEF and the United Kingdom government, etc.

#### Challenges

We have been confronted with numerous implementation challenges in the past year. Some of the more critical are described below.

(1) In the state of Uttar Pradesh (UP), where our largest Reproductive Health (RH) project is being implemented, the size of the state (total population of 166 million, with more than 120,000 villages) consistently poses a formidable challenge for any activity initiated under this project. There are 30 million couples of reproductive age in UP, of which 17 million are in the focused districts where our RH interventions are being undertaken. Simulation exercises have shown that due to population dynamics and mortality, simply maintaining sterilization Contraceptive Prevalence Rate (CPR) at a constant level in UP requires approximately 370,000 procedures each year. This represents almost 90% of the state's average annual sterilization performance of approximately 420,000 procedures. In addition to the population dynamics and mortality factors, increasing CPR for spacing methods is even more challenging, due to inevitable drop outs among users as their reproductive intentions change through time. Further, due to a change in governments, state and local bureaucrats were frequently transferred, affecting the health sector performance. USAID has had to work through these changes with our principal implementing partner.

(2) Our biggest HIV/AIDS project in Maharashtra has been severely challenged due to a leadership crisis in the principal implementing organization. The issue has been resolved by the removal of the existing Director of the organization; however, the remaining challenge is to put in place a competent full time Project Director who will be able to successfully guide and manage the project.

(3) Our Child Survival Intermediate Result was affected by two major issues:

(a) Due to DCHA/FFP's budget constraints, against the approved level of \$95.1 million for the FY, only \$45 million was allocated. Further, FFP requested that phase-down plan for the remaining three years of the five-year Title II program cycle be submitted.

(b) The Government of India's (GOI) regulatory body for bioengineered foods disallowed the importation of Corn Soya Blend (CSB), one of the Title II commodities, pending USG certification regarding the absence of "Starlink" variety of bioengineered corn in the CSB.

### Key Achievements

In FY 2003 our programs built on the progress of the activities continued from our old strategy. Significant gains were made under all SOs.

1. Capital Markets: The Securities and Exchange Board of India (SEBI) which is being assisted under our Financial Institutions Reform and Expansion (FIRE) - R project continued to expand its capacity and effectiveness as a regulatory body. Based on FIRE-R recommendations and assistance: (a) SEBI restructured and established new division and departmental functions to enable it to meet its emerging and future regulatory challenges; (b) created a comprehensive framework for testing, certification and licensing for all types of securities market intermediaries; and (c) developed a market database of certified intermediaries along the lines of the central registration database (CRD) run by the national Association of Securities Dealers in the US. FIRE-R also helped launch a one year diploma course in securities law and regulation for practitioners at the prestigious Mumbai Law College.

In FY 2003 a Global Development Alliance activity was supported called the Small Enterprises Assistance Fund (SEAF) program. SEAF will provide venture capital to small and medium sized Indian enterprises focusing on non-traditional venture capital funding areas.

2. Urban local governments: The FIRE- Debt project assisted a number of Urban Local Bodies (ULB) in the strengthening of systems and procedures for management and delivery of urban infrastructure. With USAID support: (a) bonds worth \$6.4 million were issued by Tamil Nadu Water Sanitation Pooled Fund, with a Development Credit Authority (DCA) Guarantee, to finance water and sanitation projects of 14 small and medium municipalities in Tamil Nadu; and (b) the State of Karnataka developed a pooled financing mechanism to fund water and sanitation projects for eight ULBs in the Bangalore Metropolitan Area.

3. Reproductive Health: The main vehicle for delivering improved reproductive health, the Innovations in Family Planning Services (IFPS) project, is being implemented in the most populous state of India, Uttar Pradesh with 166 million people. The project focuses on increasing use of reproductive health services; increasing use and quality of family planning services; stimulating private sector participation and commercial partnerships for the development, promotion and availability of reproductive and child health technologies. In FY 2003 the Contraceptive Prevalence Rates in the project served districts exceeded targets

4. HIV/AIDS and Infectious Diseases: The APAC project in Tamil Nadu and the Avert project in Maharashtra seek to slow the spread of HIV/AIDS by increasing safe sexual behavior for HIV prevention. The behavioral surveillance survey results in 2003 shows substantial achievement in sustaining behavior change. Respondents who used a condom with last non-regular partners met project targets for 2003 (over 74%). During the past year the APAC project expanded both the technical focus to include new intervention themes and geographic focus to cover Pondicherry. USAID's second bilateral project, Avert has had modest success. Other HIV/AIDS efforts that showed good progress include the children affected by AIDS project and the Ports project providing AIDS prevention activities in ports areas in India. In Polio, activities progressed well and targets have been achieved. On the Tuberculosis front, steady progress has been made with 7 out of 19 districts in Haryana State (target area) now being covered under the Directly Observed Short course Treatment (DOTS). The program will be scaled-up to cover all the 19 districts of Haryana by mid 2004.

5. Child Survival: The program aims to reduce the high levels of child mortality and malnutrition through integration of supplementary feeding with complementary health care services provided through the GOI and non governmental organization resources. Despite budget constraints and issues surrounding genetically modified food, there was good progress in achieving the target for the percentage of children under three in CARE's program catchment area enrolled for take home rations. CARE has been actively involved in developing a nutrition policy for one of the states and establishing Management Information System (MIS) in other state programs. The Catholic Relief Service's (CRS) Safe Motherhood and Child Survival program reached about 95% of the planned participants.

6. Energy and Environment: This SO is consonant with the Agency's Economic Growth, Agriculture and Trade pillar and consistent with the GOI's Tenth Five-Year Plan. The premise of the SO is that success in improving the viability of the energy sector can be greatly enhanced by addressing water issues together with distribution reforms, and by improving India's access to clean energy technologies. By reducing losses and improving cost-recovery, service deliver, and ultimately the fiscal health of the state and municipal governments will improve. This in turn will free up resources for investments in the much neglected social sectors. Environmental benefits will also be realized both in terms of improved water resource management and reduced greenhouse gas emission from the use of cleaner, more efficient technologies in the power sector.

This SO contains three projects from the former strategy that have contributed to its results. The Greenhouse Gas Pollution Prevention project has helped India avoid approximately 11.3 million tons of greenhouse gas. This equates to significant financial savings in coal costs and tremendous benefits to the environment and to human health. With an investment of approximately \$7 million in technical assistance, training and grant assistance to private sugar mills, USAID demonstrated co-generation of power from bagasse (sugar cane waste) to be a viable alternative to fossil fuel. The Clean Technology Initiative (CTI) project was refocused in FY 2003 on the Taj Trapezium Zone in and around the City of Agra where the world renowned Taj Mahal is located. CTI works with industry, the municipality and the transport sector to identify strategies to reduce air pollution that is harming the Taj, negatively impacting human health, and adversely affecting economic development. The CTI project was also a vehicle for undertaking the Global Development Alliance activity for the Green Business Center. This activity brought together key public and private players for building an environment friendly center in the state of Andhra Pradesh. This building has won the platinum award recently (the highest award given by an independent US rating agency). Another project that was carried forward from the previous strategy, namely Energy Conservation and Commercialization (ECO), worked on transmission and distribution issues and

disseminated vital information on these issues.

7. Disaster Management: The GOI has reviewed its disaster management practices and adopted a new approach with an emphasis on disaster prevention. The GOI recognizes that the US has a wealth of experience and expertise in disaster response, preparedness and mitigation. SO15 builds on these realities. USAID is working with the GOI to develop improved systems of disaster management at the national, state and local levels. A bilateral agreement with the GOI was signed during FY 2003. Significant progress has been made in bringing key US Government agencies to India to collaborate with the GOI. With USAID/India and Office of Disaster Assistance (OFDA) funds, the US Forest Service has been working with the Ministry of Home Affairs to improve on-site disaster response through the development of an India Incident Command System (ICS). Activities that were carried forward from the previous strategy focused on the Gujarat Earthquake Rehabilitation Initiative (GERI). Under this program, 2,289 houses have been completed as of September 2003 and 517 houses are under construction. Further a technology that uses stabilized compressed earthen blocks in the construction of homes has been introduced in some villages. A total of 1,214 local crafts people were trained in production techniques using this technology and also in masonry and earthquake resistant building technology. An addition 286 families were provided support for the retrofitting of damaged houses. Critical health services through mobile clinics were provided to the affected people.

8. Education/Equity: USAID/India's vulnerable people strategic objective is consonant with the Agency's democracy, conflict and humanitarian assistance pillar and consistent with India's constitution that guarantees equality across gender, caste and religion, and promotes a rights-based, democratic framework. The activities under this SO have just begun and they are progressing towards creating and increasing access for the poor and marginalized to education. Judicial systems are critical to promoting equity, breaking the cycle of abuse, discrimination and poverty, and realizing economic development. Education is key to enabling the future workforce of men and women to embrace technological changes that can boost their productivity and earning, and provide escape routes from poverty. The two activities from the previous strategy that have been folded into this SO are strengthening India's micro finance institutions to enhance poor women's access to appropriate financial services and child labor elimination activities. These have addressed important issues of poor women's access to financial services and the elimination of child labor.

#### Conflict

There are certain pockets in India which are conflict prone. USAID/India programs have so far not been affected by them. We are keeping a close watch on developments in these areas. Kashmir is a conflict prone area. However, we have no programs in this state.

#### Gender

Gender concerns are incorporated in all our programs. Gender is a cross cutting theme and gender issues are being tracked under the mission's programs. The beneficiaries of USAID/India's major reproductive health program are women. Under the Child Survival program the beneficiaries are children and women.

#### Trade Capacity Building

The United States-Asia Environmental Partnership (US-AEP) is a program funded by USAID with the objective of addressing and reducing environmental problems in India. The US-AEP program provides the mission with a responsive tool to leverage private and public sector resources, promote partnerships and technology transfer. A key component of the US-AEP program is to assist the host Government and industry in identifying appropriate environmental technologies from the US, and to transfer these technologies to India to reduce environmental pollution. Some highlights of US-AEP/USAID's FY 2003 assistance in technology transfer to the Indian market include, advanced electrostatic precipitators for coal based thermal power plants, appropriate treatment technology for the first comprehensive hazardous waste treatment facility in India, surface water body clean up technology, and energy efficiency

equipment for the hospitality industry resulting in direct sales worth more than US\$ 4 million. US-AEP has also leveraged funding from non-USAID sources such as the U.S. Trade Development Agency and other government and private resources, to help host government and private entities prepare projects that address the issues of integrated waste management and water and wastewater treatment recycle and reuse.

The Regulatory component of USAID/India's Financial Institutions Reforms and Expansion Project supports the Government of India's efforts to raise the efficiency, transparency and integrity of its capital markets to international standards. The Debt component of this project works with local and state governments to develop, package and implement urban and environmental infrastructure projects that improve access to basic services, such as water, solid waste treatment and sewerage. Improvements in infrastructure provide basic services to poor populations as well as create an environment that attracts business and industrial investment which ultimately allows India to compete in the world economy.

**Country Close and Graduation:**

Not Applicable



## Results Framework

- 386-002 Reduced Fertility and Improved Reproductive Health in North India**
- 386-003 Improved Child Survival and Nutrition in Selected Areas of India**
- 386-004 Increased Environmental Protection in Energy, Industry and Cities**
- 386-007 Reduced Transmission and Mitigated Impact of Infectious Diseases, Especially STD/HIV/AIDS in India**
- 386-009 Expanded Advocacy and Service Delivery Networks for Women and Girls**
- 386-011 Increased Capacity of Financial Markets and Government to Transparently and Efficiently Mobilize Resources**
- 386-012 Recovery, Reconstruction and Rehabilitation Needs Met for Targeted Vulnerable Groups**
- 386-013 Increased Transparency and Efficiency in the Allocation and Mobilization of Resources in Selected States**

### **SO Level Indicator(s):**

Increased investment in education and health, including all necessary staffing, supplies and equipment

Increased mobilization of financial resources through market-based mechanisms

Increased percentage of municipal investment in urban environmental infrastructure in selected municipalities

**13.1** Increased capacity of financial markets to conduct efficient allocation of resources

**13.2** Increased capacity of and public support for state governments to strengthen fiscal discipline

**13.3** Increased capacity of urban local governments to raise and allocate resources

**13.4** Increased capacity of policy, technology and trade to improve farm and national level resource allocation

### **386-014 Improved Health and Reduced Fertility in Targeted Areas of India**

#### **SO Level Indicator(s):**

HIV sero-prevalence by age group in targeted areas

Nutrition status among under-twos in targeted areas

Percentage of new smear positive pulmonary TB cases in targeted areas treated successfully

Total fertility rate in targeted areas

**14.1** Increased use of reproductive health and family planning services

**14.2** Increased safe behaviour for HIV prevention

**14.3** Increased use of key child survival interventions

**14.4** Increased use of key infectious disease interventions

### **386-015 Reduced Vulnerability to Disasters in High-Risk Areas**

#### **SO Level Indicator(s):**

Number of communities that are more resilient to disasters

The number of more responsive and coordinated disaster-management systems

**15.1** Increased community preparedness to mitigate and manage disasters

**15.2** Improved capacity of public and private partners to meet critical needs of vulnerable groups in disaster situations

### **386-016 Improved Access to Clean Energy and Water in Selected States**

#### **SO Level Indicator(s):**

Number of men and women that have access to improved power supply

Number of men and women with access to sustainable water supply as measured by improved water balance in targeted sites

Number of tons of CO<sub>2</sub> avoided

**16.1** Improved power distribution in selected states

**16.2** Improved groundwater management in selected states

**16.3** Improved urban water availability and sanitation in selected states

**386-017 Enhanced Opportunities for Vulnerable People**

**SO Level Indicator(s):**

Increase in retention of girls and boys in formal, alternative and bridge schools, in targeted sites, over the baseline data

Increased number or percentage of cases filed by women in the family courts in the target sites

**17.1** Improved access to education for vulnerable children

**17.2** Increased access to justice for women

**17.3** New and expanded social and economic opportunities for vulnerable people

**386-XXX 498-009 U.S. - Asia Environmental Partnership (US-AEP)**